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May 24, 2013

I hereby submit for the Board's consideration the 2013-14 Recommended Budget, guided by the Countywide Vision. The Countywide Vision calls for the creation of a "complete county" that capitalizes on its many assets to collaboratively establish a sustainable system of economic opportunity, education, well-being and amenities. The Countywide Vision and the Board adopted County Goals and Objectives provide County government with clearer direction as it makes budget decisions.

In this document you will see that the County departments built their 2013-14 Recommended Budget to achieve these County Goals and Objectives. In addition, as part of our continuing effort to align resources with operational priorities, each department has developed performance measures that tie directly to these approved County Goals and Objectives. These measures will reflect progress on long-term multi-year initiatives or the accomplishments of shorter-term goals and will be monitored and reported in the quarterly budget reports.

The 2013-14 Recommended Budget of \$4.0 billion has been balanced and is consistent with policy direction received from the Board of Supervisors. No reserves are being used to fund ongoing costs. There is limited use of one-time sources to fund costs as part of a multi-year plan to address the five-year structural deficit, which is consistent with County policy. The 2013-14 Recommended Budget addresses the following key issues:

- Funding the existing earned leave liability;
- Underfunded programs/projects, in Land Use Services and Public Works
- Shortfalls in County Fire and County Museum;
- Removal of potential hazards and reduced liability in Planning, Code Enforcement, and Capital Improvement Program;
- Underfunded services, in Clerk of the Board and Purchasing
- Facility needs, such as the County Buildings Acquisition and Retrofit Project and the Sheriff/Coroner/Public Administrator's Crime Lab and Aviation Facility.

It is important to note that this County fiscal plan does not include any potential impacts of the 2013-14 State Budget, which are unknown at this time.



THE BUDGET IN BRIEF

This budget book presents the general fund, restricted funds, capital project funds, special revenue funds, enterprise funds and internal service funds of the County. The total spending authority for these funds in 2013-14 is \$4.0 billion. The general fund spending authority totals \$2.5 billion and is funded by Countywide discretionary revenues (primarily property taxes), departmental revenues, and other funding sources of the General Fund. Of this \$2.5 billion, only \$498.9 million is truly discretionary.

	Spending Authority (In Millions)		
	2012-13	2013-14	
	<u>Modified</u>	<u>Recommended</u>	<u>Change</u>
General Fund	\$ 2,318.6	\$ 2,473.7	\$ 155.1
Restricted Funds	111.4	32.2	(79.2)
Capital Project Funds	203.6	186.4	(17.2)
Special Revenue Funds	594.0	584.6	(9.4)
Enterprise Funds	673.3	545.5	(127.8)
Internal Service Funds	186.8	190.7	3.9
	<u>\$ 4,087.7</u>	<u>\$ 4,013.1</u>	<u>\$ (74.6)</u>

For 2013-14, the \$155.1 million increase in spending authority for the General Fund is primarily the result of increases in the Human Services and Law and Justice operational groups. The Human Services Administrative Claim is increasing due to additional funding received in the Transitional Assistance Department to provide increased eligibility and employment services. The Human Services – Subsistence Units are increasing due to increased caseload for children living in foster homes and group care facilities. Health Administration is increasing to fund Intergovernmental Transfers to the State for Medi-Cal Care capitation rate. Department of Behavioral Health is increasing due to increases in participants of the Low Income Health Plan (LIHP) and Medi-Cal expansion, which are funded with additional state and federal funding. Law and Justice is increasing due to retirement rate increases for staffing and to accommodate the continued realignment of responsibility for specific state prisoners and parolees from the state to the County (2011 Public Safety Realignment).

The \$79.2 million decrease in Restricted Funds is a result of a budget change in which all realignment funds will be budgeted consistently. Realignment funds do not directly incur expenses or provide service. These funds are strictly transferring money to the operating budget units of the department that incur the expenditures which are funded by realignment revenue. This budget change now reflects transfers to departments as an abatement to revenue in order to not duplicate expense and revenue recognition in the realignment funds.

The decrease of \$127.8 million in Enterprise Funds is primarily due to a change in the presentation of the budget by Solid Waste Enterprise Funds – Consolidated, which results in the amount representing available net assets set-aside for future use no longer being shown in budgeted contingencies, as well as the prepayment of outstanding debt in 2012-13.



	Budgeted Staffing		
	2012-13 Modified	2013-14 Recommended	Change
General Fund	13,200	13,499	299
Other Funds	5,923	5,990	67
	19,123	19,489	366

Budgeted staffing for 2013-14 is 19,489, a total increase of 366 positions from the 2012-13 Modified Budget. General Fund staffing has been increased by 299 positions, from 13,200 to 13,499 primarily resulting from increased staffing for Human Services' Transitional Assistance Department, due to increased funding for the Department as caseloads continue to grow, as well as the possible effects of the Affordable Care Act and Medi-Cal expansion. In addition, Sheriff/Coroner/Public Administrator, District Attorney, and Behavioral Health have added staffing in order to address additional workload associated with 2011 Realignment.

The staffing in all other funds has been increased by 67 positions from 5,923 to 5,990, primarily resulting from Arrowhead Regional Medical Center's (ARMC) commitment to meet regulatory requirements, reduce overtime premium costs and achieve service goals. Behavioral Health is increasing positions for the expansion of recovery services, triage mental health services, clinical assessment services, community crises services and administrative support.

HIGHLIGHTS OF 2013-14 RECOMMENDED BUDGET

Following are highlights of programmatic and budgetary proposals included in the Recommended Budget as they relate to the 2013-14 County Goals as adopted by the Board of Supervisors on February 26, 2013.

Create, Maintain, and Grow Jobs and Economic Value in the County

- A key strategy of the Economic Development Agency (EDA) is to continue to support businesses coming into and currently existing in the County, by ensuring that Workforce Investment Act (WIA) funding assists with layoff aversion, business services and training for specific workforce skills. Through these efforts, EDA will work to keep existing businesses thriving and create an environment that is appealing to businesses looking to relocate.

Improve County Government Operations

- \$300,000 in additional discretionary general funding (net county cost) is to be allocated to the Clerk of the Board to support two new positions and to support the remote videoconferencing locations in the cities of Joshua Tree and Hesperia (\$196,000). New staff will improve the ability of the department to meet customer service expectations as well as better manage the department's fiscal and budgetary duties. The videoconferencing program, piloted in 2010 and expanded by order of the Board of Supervisors in January 2013, will allow greater access for constituents in High Desert communities to participate in Board of Supervisors Meetings. The remaining increase of \$104,000 is recommended one-time funding to support three positions responsible for processing assessment appeal caseload which remains high due to trends in the local housing and commercial property markets.



- The addition of the two positions in the Assessor-Big Bear district office, will serve to expand public office hours in both the Big Bear and Twin Peaks district offices from two to five days per week. This is proposed to be funded with departmental sources and no additional discretionary general funding (net county cost).
- The addition of 10 Public Service Employees in the Auditor-Controller/Treasurer/Tax Collector Office to implement a paid summer internship program that will employ newly graduated students or students in the last year of school. The participants make valuable contributions to the organization while gaining valuable “hands-on” experience. This is proposed to be funded with departmental sources and no additional discretionary general funding (net county cost).
- In 2011-12, the Board of Supervisors set aside \$30.0 million to facilitate the County Buildings Acquisition and Retrofit Project including the purchase of new buildings, the seismic retrofit and modernization of certain existing buildings, and the demolition of older facilities where additional investment is not recommended. An additional \$10.0 million was included in 2012-13 to support additional square footage requirements and fund furniture, fixtures, and equipment. Acquisition of space was completed in 2012-13. In 2013-14, the County is planning to revitalize the County Government Center campus and County office buildings to strategically invest in the future. In addition, \$4.5 million is proposing to be added in 2013-14 to acquire existing office space near the Victorville Courthouse.
- In an effort to streamline the permitting process, a \$700,000 allocation of one-time discretionary general funding (net county cost) is recommended to purchase new permitting software for Land Use Services, which will allow interfaces between Land Use Services, Public Works, and County Fire.
- An additional one-time allocation of discretionary general funding of \$833,147 is suggested for Land Use Services; \$360,000 to enable the continuation of the Medical Marijuana enforcement program, \$273,147 to provide funding for the demolition/rehabilitation program and \$200,000 for legal costs.
- The Recommended Budget for Land Use Services – Planning Division includes five positions for the Mining Program, which are funded through increased fee revenues, as the current staffing is inadequate to effectively and efficiently process mining applications and limit County liability. Properly staffing the Mining Program will ensure compliance with state and federal laws since all mines are inspected at least annually.
- The Environmental Health Division of Public Health will continue to conduct Industry Roundtables intended to assist and support the businesses they regulate.

Operate in a Fiscally Responsible and Business-like Manner

- The 2013-14 budget for the Sheriff/Coroner/Public Administrator consolidates the ongoing expenses and revenues of four Special Revenue Funds within the Department’s General Fund, providing for more effective budget management and accurate reporting of these functions.
- The addition of five new positions (offset by the deletion of two existing vacant positions) in Purchasing will provide assistance and training to departments, decrease cycle time for



purchase orders and contracts, enhance management of Countywide contracts, reduce the number of retroactive contracts, and resume vendor activities. The positions include two Buyer IIs, one Buyer III, one Staff Analyst I, and one Staff Analyst II.

- In 2012-13, Fleet Management and County Fire completed the merger of vehicle services, optimizing space requirements. For 2013-14, the merging of parts inventories will increase parts room efficiency, reduce inventories, and utilize economies of scale to reduce costs.
- For 2013-14, Fleet Management-Garage and Motor Pool have established separate budget units to begin financing the earned leave program to meet their long term leave liabilities.
- Assessments of buildings and allocation of resources to address deferred maintenance and major repairs of the County's building assets were completed in 2012-13 and are being refined in 2013-14.
- Investment of capital resources to reduce energy costs through the energy efficiency program partnership with Southern California Edison (SCE) and Southern California Gas (SCG) through various implementation projects have been completed with others in process. From 2009 through 2012, incentives received from the two utilities to help finance these projects totaled \$889,900 and the estimated annual savings from reduced energy usage totaled \$835,000. In May 2013, the Board approved a continuation of the energy efficiency program partnership with SCE and SCG. Various projects are planned for 2013-14.
- Human Resources proposed, and with approval from the Board of Supervisors, implemented several cost saving measures with all non-represented groups, which are reflected in the 2013-14 Recommended Budget. These measures were successfully negotiated with all but one bargaining unit during the current bargaining cycle that began in April 2011. The cost saving measures include: 1) step increment reductions from two steps to one step for all employees, 2) eliminated, for all employees, the employer pickup of the required employee contribution to the San Bernardino County Employees' Retirement Association in the amount of up to seven percent of earnable compensation, 3) changed percentage-based County contributions for health insurance premiums to fixed amount for all employees, and 4) converted the County contribution toward health insurance costs from pensionable Flex Benefits to non-pensionable Medical Premium Subsidies. The Board of Supervisors adopted the provisions of the advisory arbitration award that recommended implementing the same cost saving measures listed above to the one bargaining unit that did not agree to these measures during negotiations.
- With the recent California Supreme Court decision pertaining to ABx1 26, a one-time allocation of \$300,000 to the Economic Development Agency is recommended in 2013-14 to fund costs associated with Oversight Boards and the dissolution of Redevelopment Agencies.

Ensure Development of a Well-Planned, Balanced, and Sustainable County

- Public Works — Transportation proposes to complete \$10.0 million in Transportation Proposition 1B projects in 2013-14, which includes \$7.0 million in pavement condition improvements, contribution towards the Yucca Loma/Yates Road widening project, paving of Hatchery Drive in Moonridge, a storm drain and drainage improvements on Phelan



Road, and grant matching contributions for Valley Boulevard and Cedar Avenue new median construction.

- The proposed Public Works – Transportation budget will sustain the County Pavement Management Program in a good to very good condition, in part by doing surface treatments on 9.4 miles and rehabilitating and overlaying 15.9 miles of roads. A one-time contribution of \$4.5 million from the General Fund will help construct the Glen Helen Parkway grade separation, Yates Road realignment, and support the department's operation activities.
- The County Museum budget reflects major reductions in sources of revenue (\$766,000) that are being driven by a downturn in federal and state contracts. As a result, nine positions have been deleted from the budget. Historically County Museum's one-time sources have been renewed or were replaced with other one-time sources; however, these one-time sources (federal and state) are becoming more difficult to secure at the present time and are forecasted to remain lean in the near future. In response to these lost revenues, the 2013-14 Recommended Budget was developed conservatively on the basis of minimal reliance upon one-time sources. Discretionary general funding (net county cost) has been increased by \$241,000 (\$200,000 is a one-time increase only for 2013-14) as a measure to buy time for the Department to develop a sustainable revenue base and will fund 4 positions in 2013-14 which were previously slated for deletion due to the reduction in revenue sources. The staffing level reductions will create significant service level reductions in the areas of educational and live animal programs, Geological Sciences, weekend programming, and dedicated facility security.
- The County Library proposes to enhance service in 2013-14 by replacing outdated computer hardware and software over the next several years, restoring the Library's material budget and adding high demand items to the collection, including an expanded digital book collection.
- The recommended budget would allow the Regional Parks Department to continue to address aging and deferred maintenance needs in water, sewer and electrical infrastructure at Prado, Mojave Narrows and Glen Helen Parks. Improvements will continue at Calico Ghost Town for OHV Camping. Negotiations for two large Operations and Management/Concession contracts are ongoing for Moabi and Lake Gregory Parks. All of these efforts are intended to improve the user experience provided to the Regional Park's patrons and reduce the departments' reliance on the County's General Fund.
- The 2013-14 Recommended Budget reflects an additional one-time allocation of \$1.6 million for Land Use Services - Planning Division to begin updating the General Plan, create more specific plans to better reflect the unique character of all areas of the County, and to amend the development code and master plans. These revisions will ensure the most appropriate standards are being applied in all areas of the County and will be accomplished over a three year period with additional funding required estimated at \$5.4 million in future years.

Maintain Public Safety

- Construction commenced in June 2011 on the Sheriff/Coroner/Public Administrator's Adelanto Jail Expansion Project, which is projected to add 1,392 jail beds to the County's Adelanto Detention Center (ADC) by late December 2013. This would bring the total beds



at ADC to 2,098. In order to help fund the \$127.5 million project, the Sheriff/Coroner/Public Administrator pursued and was awarded \$88.0 million from the state as part of its Assembly Bill (AB) 900 County Jail Lease-Revenue Funding Program. The Sheriff/Coroner/Public Administrator is proposing to implement a phased approach using AB 109 growth funds to begin staffing the facility in 2013-14. This will result in the use of 928 of the 2,098 beds at the new facility. The use of 928 beds at the new jail will provide for expanded levels of service in the High Desert, which includes a new booking area and the ability to house female, protective custody, and high security inmates. The Sheriff/Coroner/Public Administrator will be including a quarterly budget adjustment in 2013-14 to implement this phased approach.

- The addition of five Sheriff's Custody Specialists and five Deputy Sheriffs funded with AB 109 (Public Safety Realignment) revenue in order to enhance the success and improve the supervision of inmates participating in the Department's Electronic Monitoring Program.
- In 2012-13, Architecture and Engineering negotiated a ground lease for 8 acres of land on which to construct approximately 55,000 square feet of maintenance and hangar space and approximately 10,000 square feet of office space to move the Sheriff/Coroner/Public Administrator's aviation operations from the Rialto Airport to the San Bernardino International Airport (SBIA). The new lease and operating expenses for the facility will be funded from the termination of existing leases. In 2013-14, the construction cost of \$9.6 million is recommended to be funded with \$4.5 million from discretionary general funding, \$4.1 million from the City of Rialto for relocation expenses, and \$1.0 million from federal asset forfeiture money.
- Ongoing funding of \$20.0 million has been proposed for the 800 MHz Upgrade project to address the aging public safety 800MHz digital radio system and infrastructure requirements. In 2012-13, \$4.75 million was redirected to the High Desert Government Center (HDGC) Public Safety Operations Center (PSOC) for infrastructure to support the 800 MHz upgrade and a consultant contract was issued in the amount of \$250,000 to Motorola to assist in the planning and implementation of the system upgrade. The assessment by Motorola is expected to be completed by August 2013 and the acquisition/lease of microwave sites, tower construction, upgrades, and equipment will be underway in 2013-14.
- In 2012-13, the Board approved \$1.3 million for design services to expand and remodel the existing Sheriff's Crime Lab. A design contract was awarded in May 2013 to expand the facility by approximately 20,000 square feet. The 2013-14 recommended capital improvement program budget proposes the addition of \$15.7 million from discretionary general funding for construction of the expansion.
- The Recommended Budget proposes a \$1.2 million increase in the ongoing County Fire subsidy for operational needs, bringing the total general fund subsidy to \$18.8 million.

Provide for the Health and Social Services Needs of County Residents

- The County successfully implemented its Low Income Health Program, ArrowCare, effective January 1, 2012, which is intended to be a bridge to healthcare reform in 2014. This program covers childless adults ages 19-64 who are not otherwise covered by Medi-Cal. By implementing this program, the County's goal is to provide coverage to this population through the health departments so that the County will be the provider of choice



in 2014. In 2013-14, the Arrowhead Regional Medical Center (ARMC), Behavioral Health, Public Health, and Transitional Assistance departments propose to continue their collaborative relationships to offer fully integrated care to County residents. Current ArrowCare recipients (approximately 28,000) are expected to transition to Medi-Cal as part of the Medi-Cal expansion under healthcare reform effective January 1, 2014.

- During 2012-13, the Community Vital Signs Initiative, spearheaded by the Departments of Public Health, Behavioral Health and Arrowhead Regional Medical Center, continued its efforts towards improving the wellness of the County, and ultimately achieving the goals of the Countywide Vision. The initiative continues to work with a vast array of invested stakeholders. In 2013-14, it is proposed that Community Vital Signs reach out to hundreds of stakeholders representing healthcare, the business sector, the planning community, community and faith-based organizations, local jurisdictions, and policy makers to align strategies and develop shared goals and measures for achieving a collective impact.
- The Public Defender expanded its Juvenile Accountability program in 2012-13 to the Victorville community. In 2013-14, continued expansion of the program via collaboration with the Department of Behavioral Health and other Law and Justice agencies is proposed to reduce recidivism and increase self-sufficiency of the youth entering adulthood in our communities.
- Human Services (HS) continues to provide quality service to its clients despite the tremendous burdens brought upon by the economic downturn. As a result, state and federal funding increases are proposed in the HS - Administrative Claim, primarily in Transitional Assistance programs, and subsistence programs of CalWORKs, AFDC-Foster Care, and Aid to Adoptive Children to assist residents in need. HS departments are anticipated to serve 67,300 newly enrolled due to healthcare reform, 4,500 additional CalWORKs cases (15% increase), 4,690 additional Medi-Cal cases (3.1% increase) and 6,100 additional Cal FRESH cases (15% increase) over the prior year.
- For 2013-14, Preschool Services Department (PSD) funding will be affected by the Federal Sequestration by approximately \$2.1 million. Due to the lag time with receipt of the notification from the Office of Head Start, the 2013-14 recommended budget does not include this reduced funding source. PSD will be recommending budget adjustments in the first quarter budget report that will impact operations through varied reductions such as, but not limited to, reduced number of children served, closure of PSD sites, and reduced amount of vendor contracts for preschool services.
- The Department of Aging and Adult Services (DAAS) will be impacted by the Federal Sequestration. DAAS proposes to reduce \$560,000 in revenue from their 2013-14 Recommended Budget, which will impact operations through varied service reductions to seniors such as, but not limited to, reduced meals for the Nutrition Program, reduced contract providers for the Family Caregiver Program, and reductions to the number of contracted providers for legal services, adult daycare and other activities as part of Supportive Service programs for Seniors.
- Child Support will continue to provide a high level of service to its client base and is proposing to include the restoration of \$500,000 in funding that was reduced in the Governor's May Revision for 2012-13. State and federal funding will assist with offsetting increases in salary and retirement costs.



Pursue County Goals and Objectives by Working with Other Government Agencies

- Animal Care and Control and Environmental Health Divisions at Public Health will continue to look at partnerships with other governmental agencies and the business sector to develop long term strategies for improving how they function in 2013-14. In 2012-13, the Animal Care and Control Division successfully worked with the Town of Apple Valley to develop a long term solution to address the animal care and control needs of individuals living in the High Desert.

CHALLENGES IN FISCAL YEAR 2013-14 AND BEYOND

In the coming years, the County faces the challenge of continuing to provide quality services to its residents while managing the impacts of revenues not increasing sufficiently to cover increased costs. In addition to the general economy, other major challenges facing the County include state budget impacts.

State Budget

On January 10, 2013, Governor Brown released his \$138.6 billion 2013-14 Proposed State Budget, which included \$97.7 billion in State General Fund expenditures and a \$1.1 billion reserve. The Governor announced that the budget is projected to remain balanced for the foreseeable future, as a result of the tough spending cuts enacted over the past two years and new temporary revenues expected under the passage of Proposition 30.

While the Governor's 2013-14 Budget Plan contains no significant reductions to County-administered programs, several outstanding issues left to be addressed in the 2013-14 budget are of ongoing concern to the County, including unidentified proposals for the implementation of the Federal Health Care Reform and the potential sweep of 1991 Realignment funding.

Based on a preliminary review of the May Revise, the state proposes to redirect 1991 Realignment funding for indigent care as health care coverage grows. The County is estimated to lose up to \$11.0 million in this redirection. The 2011 Realignment funding is not stable due to less than expected revenue growth in AB 109 Public Safety Realignment and the allocation formula being revised in 2014-15. While some state funding reductions are anticipated, adjustments for these impacts will be made in the quarterly budget reports, after the fiscal year 2013-14 State Budget is adopted and impacts are confirmed.

Federal Budget

As a result of Federal Sequestration, the following County departments have been significantly impacted: Preschool Services, Public Health, Community Development and Housing, Aging and Adult Services, and Workforce Development. The departments have either built their 2013-14 Recommended Budget with these federal reductions or will be proposing to make adjustments in a future quarterly budget report. These federal reductions will impact departmental staffing levels and the County services they provide.

Retirement Costs

Due to the 2008-09 market losses, the County will still experience high retirement contribution rates over the next two fiscal years to ensure retirement liabilities will be funded at a proper level. The County's Retirement Fund is required to earn 7.75% each fiscal year in order to adequately fund retirement liabilities. The County is continuing to actively seek to reduce future retirement costs through proposed compensation reductions and implementing the state approved pension reform.



CONCLUSION

The County fiscal plan developed by the County Administrative Office outlines measures to address the anticipated cost increases for the next four years so that both the Board and staff can shift their focus to rebuilding the County. The 2013-14 Recommended Budget focuses on major policy issues and key projects that require additional funding in an economic climate that continues to cause reductions in County programs and local government. The County is committed to making the most of its funding to provide necessary public services in an effective and efficient manner and fulfilling its role in the achievement of the Countywide Vision.



GREGORY C. DEVEREAUX
Chief Executive Officer

